

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE ENVIRONMENTAL)	CASE NO.
SURCHARGE MECHANISM OF KENTUCKY)	2017-00266
UTILITIES COMPANY FOR THE TWO-YEAR)	
BILLING PERIOD ENDING APRIL 30, 2017)	

ORDER

On December 19, 2017, the Commission entered a final Order in this matter that, *inter alia*, authorized Kentucky Utilities Company (“KU”) to utilize a weighted average cost of capital (“WACC”) of 7.07 percent, an income tax gross-up factor of 0.61334, and an overall grossed-up rate of return of 10.33 percent for environmental surcharge filings beginning in the second full-billing month after the date of the Order. On December 20, 2017, the Tax Cuts and Jobs Act (“Tax Act”) was passed by both chambers of The United States Congress; it was signed into law on December 22, 2017. On January 8, 2018, KU filed a Motion for Reconsideration, and requested the Commission amend its December 19, 2017 Order to approve a tax gross-up factor of 0.745444 to reflect the reduction in the corporate income tax rates included in the Tax Act. KU’s WACC of 7.07 percent and the gross-up factor of 0.745444 results in an overall grossed-up rate of return of 8.84 percent. KU proposes to use the revised rate of return beginning with the January 2018 expense month.

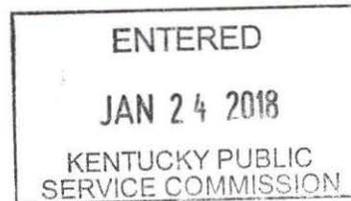
Having considered KU’s Motion for Reconsideration and being otherwise sufficiently advised, the Commission finds that KU has established good cause to revise

the gross-up factor and overall grossed-up rate of return for environmental surcharge purposes. The remainder of the December 19, 2017 Order will remain in effect.

IT IS THEREFORE ORDERED that:

1. KU's Motion for Reconsideration is granted.
2. KU shall use an overall rate of return on capital of 7.07 percent, a return-on-equity rate of 9.70 percent, a tax gross-up factor of 0.745444, and an overall grossed-up return of 8.84 percent in all monthly environmental surcharge filings beginning with the January 2018 expense month.
3. All other provisions of the Commission's December 19, 2017 Order that are not in conflict with this Order shall remain in full force and effect.

By the Commission



ATTEST:


Executive Director

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